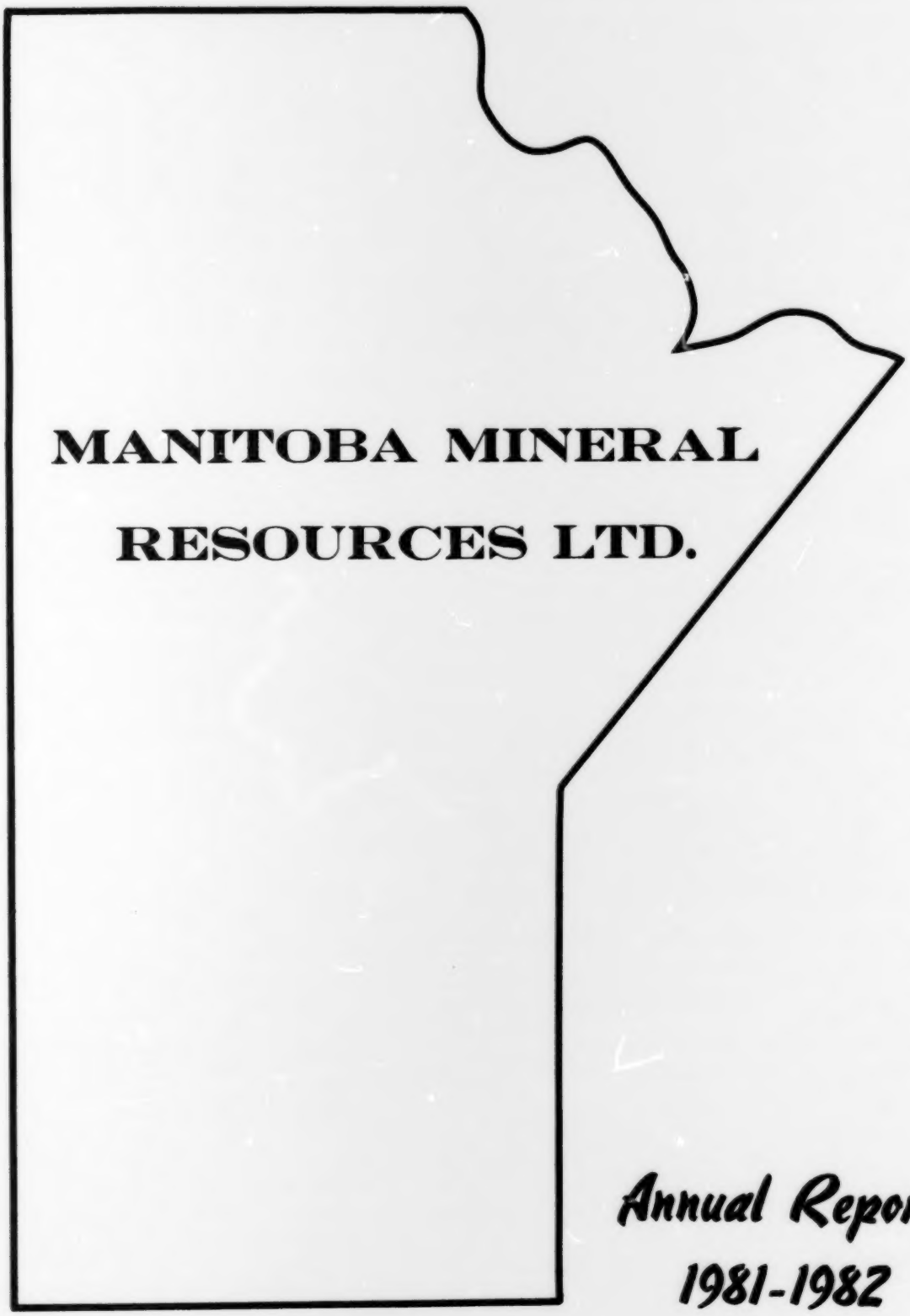


MANITOBA MINERAL RESOURCES LTD.

Annual Report
1981-1982

MANITOBA MINERAL RESOURCES LTD.

Board of Directors

M. G. ANDERSON
Deputy Minister, Crown Investments
Chairman, Manitoba Mineral Resources Ltd.

J. L. BURNS
Businessman

J. S. ROPER
Consulting Mining Engineer

H. D. B. WILSON
Consulting Geologist

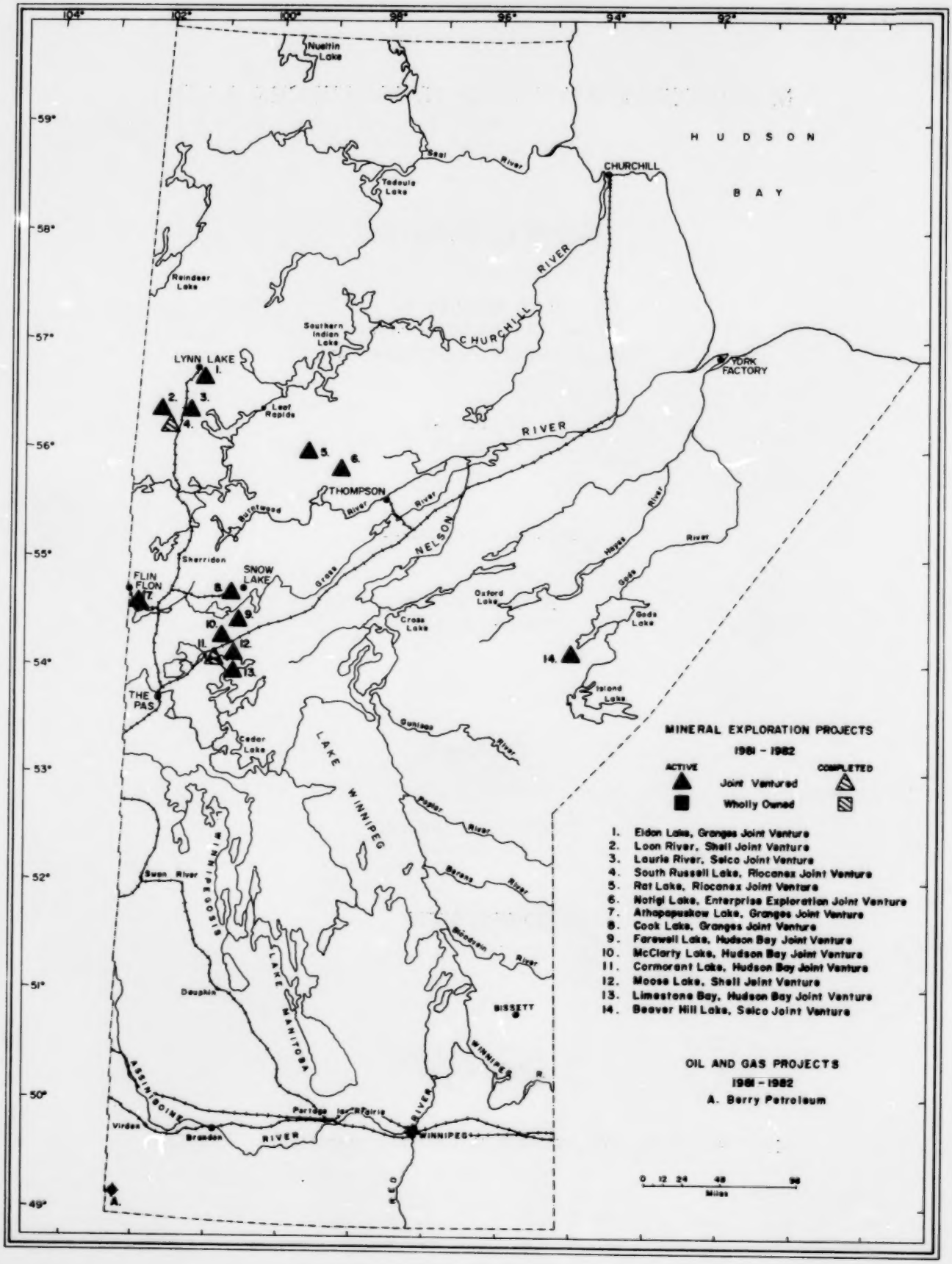
Officers

C. MALCOLM WRIGHT
Vice President

JOHN S. ROPER
Secretary

Head Office

603 - 491 PORTAGE AVENUE, WINNIPEG, MANITOBA R3B 2E4


MINERAL EXPLORATION PROJECTS
1981 - 1982
ACTIVE
COMPLETED
Joint Ventured
Wholly Owned
1. Eldon Lake, Granges Joint Venture
2. Loon River, Shell Joint Venture
3. Laurie River, Selco Joint Venture
4. South Russell Lake, Rioconex Joint Venture
5. Rat Lake, Rioconex Joint Venture
6. Notigi Lake, Enterprise Exploration Joint Venture
7. Athapapuskow Lake, Granges Joint Venture
8. Cook Lake, Granges Joint Venture
9. Farewell Lake, Hudson Bay Joint Venture
10. McClarty Lake, Hudson Bay Joint Venture
11. Cormorant Lake, Hudson Bay Joint Venture
12. Moose Lake, Shell Joint Venture
13. Limestone Bay, Hudson Bay Joint Venture
14. Beaver Hill Lake, Selco Joint Venture
OIL AND GAS PROJECTS
1981 - 1982
A. Berry Petroleum
HUDSON BAY
CHURCHILL
YORK FACTORY
LYNN LAKE
THOMPSON
SNOW LAKE
FLIN FLON
THE PAS
Nueltin Lake
Reindeer Lake
Southern Indian Lake
Leaf Rapids
Sherridon
Cedar Lake
Cross Lake
Oxford Lake
Gods Lake
Island Lake
LAKE WINNIPEG
LAKE MANITOBA
Swan River
Dauphin
Virden
Brandon
Portage la Prairie
WINNIPEG
BISSETT
Seal River
Churchill River
Nelson River
Burntwood River
Gross
Hayes River
Gods River
Gunisao River
Poplar River
Berens River
Woodsin River
Assiniboine River
Red River
Miles

To the Honourable Wilson Parasiuk
Minister of Energy and Mines
Legislative Building
Winnipeg, Manitoba

SIR:

In accordance with article 8(1), chapter N33 of the Natural Resources Development Act, the Board of Directors herewith submits the Annual Report of the Company for the fiscal year ended March 31, 1982.

MINING OPERATIONS

Underground development and installation of surface facilities continued at the Trout Lake mine site near Flin Flon. Production of development ore began in December, 1981. Production is expected to reach the designed capacity of 1,800 tons per day early in 1983. By March 31, 1982 Hudson Bay Mining and Smelting Co., Limited had expended $22,869,896 of the approximately $28 million it is committed to spend to earn a 44 per cent interest in the joint venture. Manitoba Mineral will be required to contribute 27 per cent of the expenditures once Hudson Bay has earned its 44 per cent interest.

EXPLORATION — MANDATORY PARTICIPATION AGREEMENTS

Exploration work was undertaken on properties covered by twelve mandatory participation agreements in the Flin Flon, Snow Lake, Lynn Lake, Gillam and Lac du Bonnet areas. No significant mineralization was encountered. Expenditures during the year totalled $481,483 which consisted of $403,817 paid to companies (Hudson Bay Exploration and Development Company Limited, Sherritt Gordon Mines Limited, Falconbridge Nickel Mines Limited, Granges Exploration Aktiebolag, and Pinebay Mines Limited), $26,005 expended by Manitoba Mineral directly on evaluating projects, and $51,661 for general administration. Outstanding commitments to companies at March 31, 1982 were $127,744.

EXPLORATION — VOLUNTARY PARTICIPATION AGREEMENTS

The Company was involved in fourteen voluntary joint venture projects during the year (see map at front) with six companies — Enterprise Exploration Limited, Granges Exploration Aktiebolag, Hudson Bay Exploration and Development Company Limited, Rio Tinto Canadian Exploration Limited, Selco Inc. and Shell Canada Resources Limited. One diamond drill hole on the Limestone Bay project south of Snow Lake intersected low-grade copper mineralization meriting further exploration. The Company participated in $1,850,127 worth of exploration at a net cost to it of $737,943. Three new joint ventures were created on projects initiated by the Company. Selco Inc. accepted an invitation to participate in the Laurie River and Beaver Hill Lake projects, and Hudson Bay Exploration and Development Company Limited accepted an invitation to participate in the Limestone Bay project.

OIL OPERATIONS

Three of the five wells jointly owned by the Company and Berry Petroleum in the Pierson area were in production at the end of the year. Manitoba Mineral's share of production resulted in an income of $1,015.

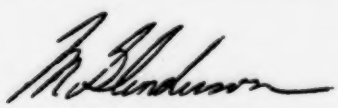
BOARD OF DIRECTORS

Albert A. Koffman retired in July, 1981 after serving as the President and Chairman of the Board since the Company's inception in 1971. His colleagues extend their sincere appreciation for his contribution to the Company.

PERSONNEL

At year end the permanent staff numbered 10 which included the Vice President, a secretary, and eight geologists. To these people, who form a small but highly efficient team, the Board extends its thanks for their individual contributions to the activities covered by this report.

On Behalf of the Board of Directors,



M. G. ANDERSON, *Chairman of the Board*

October 26, 1982

Review of Operations

Operations of the Company are directed toward three main objectives:

(1) To manage the Province's interest in mandatory participation agreements made pursuant to Manitoba Regulation 328/74 and previously entered into by the Department of Energy and Mines.

(2) To bring risk capital into Manitoba by initiating mineral exploration projects that will attract participation by the private sector. Conversely, the Company will consider participation in exploration projects proposed by others. The Company will carry out its work within the same framework of rules, regulations and normal practice governing the private sector.

(3) To employ and train personnel resident in the province in all aspects of mining exploration.

MANDATORY PARTICIPATION AGREEMENTS

Under an agreement made with the Province in 1978 the Company is responsible for managing the Province's interest in 79 mandatory participation agreements previously entered into by the Department of Mines.

The Trout Lake joint venture agreement among Hudson Bay Mining and Smelting Co., Limited, Manitoba Mineral Resources Ltd. and the Scandinavian Minerals Syndicate (Granges Exploration Aktiebolag, International Minerals Exploration Granges AB & Co. and Outokumpu Oy) was signed in 1980. The agreement provides that Hudson Bay will earn a 44 per cent interest in the venture by spending approximately $28 million to develop the property into an operating mine. The ore will be treated in Hudson Bay's concentrator at Flin Flon. Manitoba Mineral Resources Ltd. holds a 27 per cent interest in the project while the Scandinavian Minerals Syndicate retains 29 per cent.

Hudson Bay is committed to spend the $28 million on a portion of the Trout Lake property designated as the mine area. By March 31st, 1982 Hudson Bay had spent $22,869,896.

Under the terms of the joint venture agreement Manitoba Mineral has a 27 per cent interest in all ore produced and in the depreciable assets. Production of development ore started in December, 1981 and by March 31, 1982 totalled 14,682 tons of which Manitoba Mineral's share has an estimated value of $90,000. Manitoba Mineral's share of the depreciable assets at the end of the fiscal year amounted to $2,878,940.

Exploration expenditures on Trout Lake property outside the designated mine area are shared among the participants in proportion to their interests. Exploration activities consisted of line cutting totalling 74 kilometers, ground geophysical surveys totalling 69 kilometers, and 5 diamond drill holes totalling 1,022 meters. Four of the holes probed a low-grade gold zone discovered in 1981. Work to date indicates the zone is erratic and narrow but further drilling is required. The fifth hole cut barren sulphide mineralization of no economic value.

Expenditures by Manitoba Mineral on the Trout Lake property in the fiscal year were $86,591 which brings the Province's total expenditure on the project to $890,528.

Sherritt Gordon Mines Limited submitted exploration programs under two agreements covering work on holdings in the Lynn Lake area. The Company elected to participate in both programs at the 50 per cent level. Payments to Sherritt during the year totalled $97,138, while outstanding commitments at March 31, 1982 were $45,209. Although the programs are not yet complete, no significant mineralization has been discovered to date.

Payments to Falconbridge Nickel Mines Limited totalled $19,068 during the year to cover outstanding commitments on programs submitted in the previous fiscal year on holdings in the vicinity of Gillam and Lac du Bonnet. Both programs were completed at the end of 1981, but no significant mineralization was discovered.

Hudson Bay Exploration and Development Company Limited submitted exploration programs under five agreements covering work in the Flin Flon, Snow Lake and Lynn Lake areas. The Company elected to participate in all the programs at the 50 per cent level. Payments to Hudson Bay during the year totalled $200,702, while outstanding commitments at March 31st were $53,992. No significant mineralization has been reported.

Hudson Bay Exploration and Development Company Limited signed a three year option agreement dated May 1, 1981 with Pinebay Mines Limited and Manitoba Mineral covering Explored Area Lease No. 35, part of the property held under Agreement No. 36 between the Province and Pinebay. The lease covers a marginal copper deposit in the Flin Flon area having a drill-indicated reserve of 660,000 tons grading 2.88 per cent copper. Hudson Bay has the right to acquire a 60 per cent interest in the lease through an expenditure of $3,750,000 and two option payments of $60,000 each. The Province had spent $596,547 under the mandatory participation agreement and earned a 17.04 per cent interest in the lease. Manitoba Mineral receives 17.04 per cent of the option payments. Once Hudson Bay has earned its 60 per cent interest, Manitoba Mineral has the option of taking either a 6.82 per cent participating interest or a 3.41 per cent carried interest. Manitoba Mineral received $10,224 as its share of the first option payment and paid Pinebay $391 for its share of ground maintenance costs incurred by Pinebay prior to signing the agreement with Hudson Bay. Hudson Bay completed two deep holes below the known mineralization but found only minor copper values. Further work is planned.

Negotiations were conducted with Pinebay Mines Limited concerning two option agreements entered into by Pinebay with Granges Exploration Aktiebolag covering certain mineral dispositions in the Flin Flon area held under Agreement No. 36. The negotiations resulted in an agreement signed on March 10, 1982.

Manitoba Mineral and Tollef Wikjord, a prospector, entered into a six-year option agreement with Harvard Securities Limited dated February 24, 1982 covering mineral dispositions in the Elbow Lake area east of Flin Flon. The Province had earned a 26.62 per cent interest in the dispositions through a mandatory participation agreement with Espina Copper Developments Ltd.

Espina retained no interest in the dispositions when they reverted to Mr. Wikjord, the original owner. Manitoba Mineral receives 26.62 per cent of any option payments made pursuant to a payment schedule totalling $100,000 over the six year period. If the property is placed into production Manitoba Mineral Resources Ltd. and Mr. Wikjord receive a 2 per cent net smelter royalty pro rata in proportion to their interests.

At March 31, 1982, the status of the 79 mandatory participation agreements which the Company is managing was as shown below.

Status	Number of Agreements
Active	9
Suspended	25
Declined	19
Terminated	26
Total	79

Active agreements cover those projects on which exploration programs are underway and the Province is either committed to participate or holds a carried interest. Suspended agreements cover those projects on which no work is presently being done but in which the Province has the right to participate should they be reactivated. Further participation has been declined in 19 projects, but the Province continues to hold an interest in the mineral dispositions.

COMPANY'S MINERAL EXPLORATION PROJECTS

The locations of the Company's own mineral exploration projects are shown on the map at the front of this report. All fourteen of the projects are held under voluntary joint venture agreements with members of the private sector.

Eldon Lake

The Eldon Lake joint venture was started with Granges Exploration Aktiebolag in 1974 on holdings in the Lynn Lake area. Granges is the operator and holds a 51 per cent interest in the project. No exploration was undertaken during the year; however, another mining company has expressed an interest in negotiating an option agreement to conduct deeper exploration on two copper-zinc deposits found during the course of work in previous years. As presently known, the two deposits are submarginal.

Loon River

The Loon River project, 60 kilometers southwest of Lynn Lake, is being undertaken by Manitoba Mineral (49 per cent) and Shell Canada Resources Limited (51 per cent). Manitoba Mineral is the operator. Exploration work consisted of 392 kilometers of ground geophysical surveys and 12 diamond drill holes totalling 788 meters. No significant mineralization was encountered by the 12 holes. The drilling program was still in

progress at the end of the fiscal year. Direct expenditures during the year were $125,336 of which Shell contributed $63,921.

Laurie River

The Laurie River project, 60 kilometers south of Lynn Lake, is being joint ventured with Pavi Explorco Limited, a wholly-owned subsidiary of Selco Inc., under an agreement made effective April 1, 1981. Expenditures and equity are being shared on a 50 - 50 basis with Manitoba Mineral acting as the operator. Exploration work consisted of staking 89 mineral dispositions totalling 13,568 hectares, a reconnaissance program of geological mapping and prospecting, line cutting totalling 277 kilometers and ground geophysical surveys totalling 442 kilometers. Ground geophysical anomalies will be investigated by a program of detailed geological mapping and prospecting during the 1982 summer field season with a view to selecting targets for drilling in 1983. Direct exploration expenditures in the year were $228,222. Pavi contributed $139,375 which included its share of pre-agreement expenditures.

South Russell Lake

The South Russell Lake project, 70 kilometers south of Lynn Lake, is being joint ventured with Rio Tinto Canadian Exploration Limited (Riocanex). Riocanex has a 60 per cent interest in the project, whereas Manitoba Mineral has a 40 per cent interest and is the operator. Twelve diamond drill holes totalling 711 meters were completed. The holes intersected graphite and/or barren sulphide mineralization of no commercial value. The project has been abandoned. Direct exploration expenditures were $105,342 of which Riocanex contributed $63,205.

Rat Lake

The Rat Lake project, 50 kilometers southeast of Leaf Rapids, is also being joint ventured with Riocanex. Riocanex has a 60 per cent interest in the project, whereas Manitoba Mineral has a 40 per cent interest and is the operator. Exploration work consisted of staking 45 mineral dispositions totalling 7,147 hectares, a reconnaissance program of geological mapping and prospecting, line cutting totalling 295 kilometers, and ground geophysical surveys totalling 474 kilometers. Ground geophysical anomalies will be investigated by a program of detailed geological mapping and prospecting during the 1982 summer field season with a view to selecting targets for drilling in 1983. Direct exploration expenditures in the year were $179,998 of which Riocanex contributed $107,999.

Notigi Lake

The Notigi Lake project, 70 kilometers southeast of Leaf Rapids, is being undertaken with Enterprise Exploration Limited (formerly AM&S

Canada Minerals Limited). Enterprise holds a 51 per cent interest in the project, whereas Manitoba Mineral holds a 49 per cent interest and is the operator. Twenty-nine diamond drill holes totalling 1,929 meters were completed during the year. The holes cut graphite and/or barren sulphide mineralization of no commercial value. One hole remains to be drilled. Direct exploration expenditures were $262,402 of which Enterprise contributed $133,825.

Athapapuskow Lake

The Athapapuskow Lake project, 20 kilometers southeast of Flin Flon, has been joint ventured with Granges Exploration Aktiebolag since 1976. Manitoba Mineral holds a 49 per cent interest, whereas Granges has a 51 per cent interest and is the operator. One diamond drill hole was completed to a depth of 146 meters and intersected barren sulphide mineralization of no commercial value. No further work is proposed at this time. Direct exploration expenditures were $12,204 of which Manitoba Mineral contributed $5,980.

Cook Lake

The Cook Lake project, 15 kilometers southwest of Snow Lake, has been worked under a joint venture agreement with Granges Exploration Aktiebolag since 1973. Manitoba Mineral holds a 45 per cent interest, whereas Granges has a 55 per cent interest and is the operator. Exploration work during the year consisted of line cutting totalling 11 kilometers, ground geophysical surveys totalling 3 kilometers, and one diamond drill hole to a depth of 42 meters. The hole intersected minor copper mineralization associated with a small geophysical anomaly. Additional drilling is planned. Direct costs on the project were $15,218 of which Manitoba Mineral contributed $6,848.

Farewell Lake

The Farewell Lake project, 40 kilometers south of Snow Lake, was started by the Company in 1971. A small copper deposit containing 283,000 tons grading 2.03 per cent copper was discovered by Manitoba Mineral in 1974. In 1978 the Company entered into a joint venture agreement with Hudson Bay Exploration and Development Company Limited which provides that Hudson Bay can earn a 60 per cent interest by spending $300,000 on further exploration after which costs will be shared on a 60 - 40 basis. During the year Hudson Bay earned its 60 per cent interest by funding most of a diamond drilling program aimed at exploring the geological horizon hosting the known copper deposit. Eleven diamond drill holes totalling 2,528 meters were completed. The holes intersected erratic copper mineralization and failed to increase the known reserve. Expenditures during the year totalled $437,684 of which Hudson Bay contributed $315,046 and Manitoba Mineral contributed $122,638.

McClarty Lake

The McClarty Lake project, 60 kilometers southwest of Snow Lake, is held under a joint venture agreement with Hudson Bay Exploration and Development Company Limited. Manitoba Mineral has a 38.59 per cent interest, whereas Hudson Bay has a 61.41 per cent interest and is the operator. The property contains the Sylvia Zone found by Manitoba Mineral in 1977 and estimated to contain 1.3 million tons grading 2.08 per cent copper and 1.6 per cent zinc. The known reserve is submarginal. Exploration work in the year consisted of line cutting totalling 179 kilometers, ground geophysical surveys totalling 176 kilometers, and three diamond drill holes totalling 735 meters. The holes, drilled in areas remote from the Sylvia Zone, intersected graphite and/or barren sulphide mineralization of no commercial value. Direct expenditures in the year totalled $106,912 of which Hudson Bay contributed $65,655 and Manitoba Mineral contributed $41,257.

Cormorant Lake

A review of previous exploration work on the Cormorant Lake joint venture, 80 kilometers southwest of Snow Lake, by the Company and Hudson Bay Exploration and Development Company Limited resulted in a decision to undertake no further work. The project was subsequently abandoned.

Moose Lake

No work was undertaken on the Moose Lake joint venture 70 kilometers south of Snow Lake. The property is being held by the joint venturers (Shell Canada Resources Limited 51 per cent and Manitoba Mineral 49 per cent) pending the results of work on adjoining ground.

Limestone Bay

The Limestone Bay project, conceived by the Company, is 80 kilometers south of Snow Lake. A letter of intent creating a joint venture was signed with Hudson Bay Exploration and Development Company Limited on July 31, 1981. The letter of intent provides that Manitoba Mineral is the operator of an initial exploration program budgeted at $141,000. Costs of the initial program will be shared on a 50-50 basis with Hudson Bay earning an interest in an amount equal to the percentage that its expenditures bears to the total of the actual and deemed expenditures on the property. Hudson Bay has the right to increase its interest to 50 per cent by funding any subsequent exploration work totalling $194,564 with expenditures thereafter being funded on a 50-50 basis. Exploration work during the year consisted of line cutting totalling 86 kilometers, ground geophysical surveys totalling 140 kilometers, and two diamond drill holes totalling 453 meters. One of the holes intersected low-grade copper mineralization, and further work is planned. Direct costs were $91,704 of which Hudson Bay contributed $45,852.

Beaver Hill Lake

Selco Inc. accepted an invitation to form a joint venture on the Company's Beaver Hill Lake project 290 kilometers southeast of Thompson. A letter of intent, which was signed in December, 1981, provides that the two companies will share costs and equity on a 50 - 50 basis with Manitoba Mineral serving as operator for all surface exploration. Exploration work in the year consisted of reconnaissance geological mapping and prospecting, line cutting totalling 215 kilometers and ground geophysical surveys totalling 348 kilometers. Detailed geological mapping and prospecting in the vicinity of geophysical anomalies is planned for the 1982 summer field season with a view to selecting targets to be drilled in 1983. Direct expenditures in the year were $93,762. Selco contributed $53,453 which included its share of pre-agreement expenditures.

OIL AND GAS

Three of the five wells jointly owned by the Company and Berry Petroleum Limited in the Pierson area of southwestern Manitoba were in production at the end of the year. Production in the year totalled 3,021 barrels of oil compared to 4,403 barrels recovered last year. Manitoba Mineral's share of production resulted in an income of $1,015 compared to $1,403 in the previous year.

FINANCIAL — MANDATORY PARTICIPATION ACCOUNT

At the beginning of the fiscal year, the Company was authorized to spend up to $1,000,000 on projects covered by mandatory participation agreements. During the year, the Company drew down $475,000, leaving a balance of $525,000 of capital authority that expired on March 31, 1982. An additional $10,226 was raised by the Company through an option agreement on the Pinebay deposit with Hudson Bay.

Expenditures during the year totalled $481,483 which consisted of $403,817 paid to companies, $26,005 expended by Manitoba Mineral directly on evaluating projects, and $51,661 for general administration. Outstanding commitments to companies at year's end totalled $127,744.

FINANCIAL — MANITOBA MINERAL ACCOUNT

The Company's own mineral exploration projects are financed by a conditional grant from the Province. The grant is repayable when the Company becomes a profitable entity. At the beginning of the fiscal year the Company was authorized by Order-in-Council 395/81 to draw down $894,000 in conditional grants. The Company drew down the entire $894,000 in the year to bring the total grant since inception of the Company in 1971 to $7,013,000.

Total exploration expenditures for the year are $737,943 before deducting oil income of $1,015. These expenditures are composed of $473,963, which is the net cost to the Company of mineral exploration projects that it managed, $202,342 contributed by the Company to mineral exploration programs managed by others and a net administration cost of $61,640.

The Company participated in 14 mineral exploration projects with six companies — Enterprise Exploration Limited, Granges Exploration Aktiebolag, Hudson Bay Exploration and Development Company Limited, Rio Tinto Canadian Exploration Limited, Selco Inc. and Shell Canada Resources Limited. These companies contributed $1,058,218 to joint venture projects in the fiscal year.

The Company participated in $1,850,127 worth of mineral exploration at a net cost to it of $737,943. The other sources of funds comprised $1,058,218 contributed from the private sector and a $53,966 recovery of the Company's administrative expenditures from the mandatory participation account.

MANITOBA MINERAL RESOURCES LTD.

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the balance sheet of Manitoba Mineral Resources Ltd. as at March 31, 1982 and the statements of exploration expenditures and source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Manitoba Mineral Resources Ltd. as at March 31, 1982 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

W. K. ZIPRICK, C.A.,
Provincial Auditor.

July 20, 1982,
Winnipeg, Manitoba.

Exhibit A

MANITOBA MINERAL RESOURCES LTD.

BALANCE SHEET
as at March 31, 1982
(with comparative figures for 1981)

ASSETS

	March 31, 1982	March 31, 1981
Current assets:		
Cash in bank	$ 279,925	$ 183,533
Employees' expense advances	1,366	816
Accounts receivable	254,840	137,672
Prepaid expenses	1,927	1,826
Total current assets	538,058	323,847
Fixed assets, at cost:		
Field equipment	104,730	92,526
Office equipment	16,799	14,794
Office renovations	5,975	5,975
Vehicle	6,429	6,429
	133,933	119,724
Deduct: accumulated depreciation	133,933	119,412
	—	312
	$ 538,058	$ 324,159

LIABILITIES

Current liabilities:			
Accounts payable		$ 69,311	$ 13,921
Undisbursed mandatory participation advances from the Government of the Province of Manitoba under an agreement		114,661	113,224
Total current liabilities		183,972	127,145
Grants for working capital from the Government of the Province of Manitoba (Note 1)		7,013,000	6,119,000
Deduct: exploration expenditures, net, Exhibit B (Note 2)		6,658,919	5,921,991
		354,081	197,009
Capital:			
Authorized — 20,000 shares of $1.00 each	$20,000.00		
Issued and fully paid — 5 shares (Note 3)		5	5
		$ 538,058	$ 324,159

Signed on Behalf of the Board:
M. G. ANDERSON, *Director*
J. S. ROPER, *Director*

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF EXPLORATION EXPENDITURES

	From inception to March 31, 1981	April 1, 1981 to March 31, 1982	Total
Mining rights expenditures:			
Claim acquisition	$ 25,104	$ 100	$ 25,204
Claim staking	283,778	50,246	334,024
	308,882	50,346	359,228
Exploration expenditures:			
Airborne survey	704,365	39,751	744,116
Claim holding	24,050	(326)	23,724
Diamond drilling	5,183,026	498,136	5,681,162
Geochemical survey	1,247	—	1,247
Geological survey	2,087	—	2,087
Geophysical survey	841,508	186,092	1,027,600
Line cutting	932,739	169,339	1,102,078
Prospecting, examination	177,824	105,414	283,238
Office, field supplies	215,564	26,192	241,756
Field supervision	48,195	—	48,195
	8,130,605	1,024,598	9,155,203
Mining rights and exploration expenditures	8,439,487	1,074,944	9,514,431
Deduct recoveries:			
Joint venture agreements [Note 4(a)]	3,907,943	600,983	4,508,926
Mineral Exploration Assistance Act [Note 4(e)]	101,596	—	101,596
	4,009,539	600,983	4,610,522
Mining rights and exploration expenditures, net	4,429,948	473,961	4,903,909
Oil and gas expenditures	761,809	—	761,809
Deduct recoveries:			
Under an agreement with the Government of the Province of Manitoba [Note 4(c)]	752,887	—	752,887
	8,922	—	8,922
Mining rights, exploration and oil and gas exploration expenditures, net (carried forward)	4,438,870	473,961	4,912,831

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF EXPLORATION EXPENDITURES

	From inception to March 31, 1981	April 1, 1981 to March 31, 1982	Total
Brought forward	$4,438,870	$ 473,961	$4,912,831
Payments under joint venture agreements:			
Mineral exploration	984,753	202,342	1,187,095
Oil and gas	107,060	—	107,060
	1,091,813	202,342	1,294,155
	5,530,683	676,303	6,206,986
Payments under Mandatory Participation Agreements being administered under an agreement with the Government of the Province of Manitoba	1,322,995	429,823	1,752,818
Recoveries under Mandatory Participation Agreements:			
Government of the Province of Manitoba [Note 4(f)]	1,206,526	419,597	1,626,123
Other	116,469	10,226	126,695
	1,322,995	429,823	1,752,818
	—	—	—
Administration expenses, net, Schedule 1	484,501	61,640	546,141
	6,015,184	737,943	6,753,127
Income:			
Oil production (Note 5)	93,193	1,015	94,208
Exploration expenditures, net, Exhibit A (Note 2)	$5,921,991	$ 736,928	$6,658,919

Exhibit C

MANITOBA MINERAL RESOURCES LTD.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
for the year ended March 31, 1982
(with comparative figures for 1981)

	March 31, 1982	March 31, 1981
Source of funds:		
Grants from the Government of the Province of Manitoba	$ 894,000	$ 678,000
Non-cash transactions:		
Depreciation included in expenditures	18,356	17,267
Gain on disposal of fixed assets	(145)	(1,000)
	18,211	16,267
Proceeds from disposal of fixed assets	145	1,000
	912,356	695,267
Application of funds:		
Fixed assets purchased	18,044	16,229
Exploration expenditures, net	736,928	611,843
	754,972	628,072
Increase in working capital	$ 157,384	$ 67,195

Schedule 1

MANITOBA MINERAL RESOURCES LTD.

SCHEDULE OF ADMINISTRATION EXPENSES

	From inception to March 31, 1981	April 1, 1981 to March 31, 1982	Total
Administration expenses:			
Salaries and wages	$1,656,204	$ 312,961	$1,969,165
Directors' fees	31,000	2,600	33,600
Pension — Company's portion	41,412	9,999	51,411
Other employee benefits	76,426	13,487	89,913
Accounting and audit	49,267	5,890	55,157
Advertising	436	1,735	2,171
Business conferences	17,609	1,960	19,569
Depreciation	116,099	18,211	134,310
Rent and maintenance	151,748	23,267	175,015
Insurance	4,918	1,232	6,150
Legal	2,420	966	3,386
Maps, publications, etc.	10,462	724	11,186
Sundry	3,211	615	3,826
Vehicle costs — net	5,972	306	6,278
Telephone and telegraph	27,764	5,043	32,807
Travel	17,631	1,743	19,374
Supplies, postage and office	40,448	14,541	54,989
Camp maintenance	28,043	9,919	37,962
	2,281,070	425,199	2,706,269
Deduct allocations and recoveries:			
Salaries and wages allocated to exploration	1,086,055	209,059	1,295,114
Mineral joint venture agreements:			
Management fees [Note 4(b)]	425,415	54,725	480,140
Camp and equipment expenses allocated to exploration	84,907	45,809	130,716
Oil and gas exploration agreement with the Government of the Province of Manitoba [Note 4(d)]	64,942	—	64,942
Mandatory participation agreements being administered under an agreement with the Government of the Province of Manitoba [Note 4(g)]	135,250	53,966	189,216
	1,796,569	363,559	2,160,128
Administration expenses, net, Exhibit B	$ 484,501	$ 61,640	$ 546,141

MANITOBA MINERAL RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

1. Total authorized funds available from the Government of the Province of Manitoba of $7,013,000 were drawn down as conditional working capital grants as at March 31, 1982. These grants are conditional on the basis that they become repayable to the Government when exploration projects become profitable ventures.

2. Exploration expenditures include costs of projects abandoned by the Company totalling $3,186,422.

3. The issued shares of Manitoba Mineral Resources Ltd. are held by the directors in trust for Her Majesty the Queen in right of the Province of Manitoba.

4. Recoveries from the Province of Manitoba under joint venture and other agreements included in recoveries shown in Exhibit B and Schedule 1:

	From inception to March 31, 1981	April 1, 1981 to March 31, 1982	Total
(a) Mining rights and exploration expenditures	$1,689,539	$ —	$1,689,539
(b) Mineral management fees	168,954	—	168,954
(c) Oil and gas exploration expenditures	752,887	—	752,887
(d) Oil and gas explorations — management fees	64,942	—	64,942
(e) Mineral Exploration Assistance Act	101,596	—	101,596
(f) Mandatory participation agreements	1,206,526	419,597	1,626,123
(g) Mandatory participation agreements — administration expenses	135,250	53,966	189,216
	$4,119,694	$ 473,563	$4,593,257

MANITOBA MINERAL RESOURCES LTD.

NOTES TO FINANCIAL STATEMENTS

5. Under an agreement with Berry Petroleum Ltd. dated March 7, 1974, Manitoba Mineral Resources Ltd. receives a 5 per cent gross over-riding royalty on producing wells until the costs of drilling and equipping of the producing wells are recovered, after which the over-riding royalty converts to a 20 per cent carried interest in the program. This provides that Manitoba Mineral Resources Ltd. will receive 20 per cent of the monthly operating profit on the wells and that Manitoba Mineral Resources Ltd. will not be required to contribute to operating losses should they occur. However, profits will be applied against operating losses to the extent of such losses before payments will be made to Manitoba Mineral Resources Ltd.

6. The Company has outstanding commitments under joint venture agreements totalling $253,093 and contingent liabilities for guarantees of bank letters of credit totalling $45,000.